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TAGS: [PGOV](#) [PINR](#) [SOCI](#) [MARR](#) [ECON](#) [PREL](#) [RS](#) [UP](#)
SUBJECT: UKRAINE: AMBASSADOR TAYLOR'S FIRST MEETING WITH
OPPOSITION LEADER VIKTOR YANUKOVYCH

Classified By: Ambassador for reasons 1.4 (b) and (d).

Summary

¶1. (C) In his first meeting with Ambassador Taylor, Party of Regions leader Viktor Yanukovych criticized President Yushchenko for caving in to USG pressure to spurn Regions and bless the formation of an Orange coalition. The Orange team was deeply divided and may not even be able to get its candidate elected as the new Rada Speaker, according to Yanukovych. The Orange coalition, he predicted, would fall apart relatively quickly; when that happened, Yanukovych said, Regions -- emboldened by strong public opinion poll numbers -- would not form a new governing coalition but instead seek pre-term parliamentary elections. The Regions chief was upbeat about possible Rada passage of legislation authorizing exercises in Ukraine between NATO forces and the Ukrainian military; the key was accenting "cooperation" with NATO instead of "NATO accession," which Yanukovych said the Ukrainian public largely opposed. Yanukovych also argued for robust NATO cooperation with Ukraine's sizable defense industry. Yanukovych predicted that Yuliya Tymoshenko would have little success as prime minister in passing legislation needed for Ukraine's WTO entry. President Yushchenko had "perhaps two weeks" to revisit the gas deal with Russia; citing "sources," Yanukovych claimed that a big hike in the price of Russian natural gas would follow the G-8 summit. The Russians will be "super tough" with Tymoshenko on the price of gas, he predicted, and "Ukraine will suffer economically." Speaking more broadly on relations with the Kremlin, Yanukovych stressed that it was important for Ukraine to "avoid senseless conflicts" with Russia. Approximately 20 percent of Ukraine's foreign trade was with Russia, and many products that would be snubbed by EU consumers had "traditional" niches in the Russian market. That said, Ukraine should not be subservient to Moscow and should, for example, not withdraw from the CIS; such a move, Yanukovych said, would only "delight" the Kremlin and disappoint the smaller CIS countries which look to Ukraine as a counterweight to Russia. End summary.

Politics: Yushchenko Wrong To Spurn Us...

¶2. (C) In his first meeting with Ambassador Taylor, a relaxed-looking Party of Regions leader Viktor Yanukovych, speaking mostly in Ukrainian, emphasized on June 29 that President Yushchenko had made a major mistake by spurning Regions and blessing the formation of an Orange coalition. Yushchenko had been pressured to go Orange, Yanukovych asserted, by the USG; the president had not been "responsible" enough to stand up to Washington and argue for an Orange-Blue Grand Coalition. The Orange coalition, Yanukovych said, had serious internal divisions, would be unable to make serious progress on economic reform, and, he

predicted, was so feeble that it may not be able to get its candidate, Our Ukraine (OU) MP Petro Poroshenko, elected as the new Rada Speaker. We wanted to unite with OU, Yanukovych said, but were rejected; the president, Yanukovych added, had "lost his chance."

...And We Want New Elections

13. (C) Yanukovych asserted that the Orange coalition would fall apart relatively quickly. When that happened, he said, Regions would not form a new coalition government with OU but would instead seek new parliamentary elections. Yanukovych explained that Regions' popularity rating had risen steadily in the weeks since the March 26 parliamentary elections, with nearly 44% of those polled (nationwide) expressing a favorable opinion of the party. When the Orange coalition fell, there would be several parties willing to form a new coalition with Regions simply to avoid new elections; however, Regions' strong poll numbers indicated that forcing pre-term elections was the way to go.

NATO: Cooperation Vice Accession

14. (C) Responding to a question about whether the new Rada would pass legislation permitting NATO-member forces to hold joint exercises with the Ukrainian military in Ukraine, Yanukovych said that the passage of such legislation was possible as long as the text accented Ukrainian "cooperation" with NATO and not "entry" into the alliance. The words "NATO accession" and "NATO entry" should be "dropped from the discussion"; cooperation, Yanukovych emphasized, was the way to gradually build support for the alliance within Ukrainian society, which he said still had a largely negative,

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Soviet-era view of NATO. Cooperation, he stressed, should not simply be limited to exercises but expanded to include Ukraine's formidable defense industry, which employed more than one million people and produced cutting-edge hardware like the Morozov Design Bureau's new BTR-4 and the AN-70 -- both projects worthy of NATO interest.

WTO Legislation

15. (C) On prospects for a new government passing legislation needed for Ukraine's entry into the WTO, Yanukovych predicted that Tymoshenko's team would, like the first time it was in power, get very little accomplished. During her previous stint as prime minister, "Yuliya" had been needlessly provocative; she had tried to jam legislation through the Rada without public hearings, without input from the NGO community and without proper concern for domestic business interests, Yanukovych complained. During his time as prime minister, Yanukovych boasted, the Cabinet of Ministers had worked quietly and carefully with a "number of partner countries" to pass WTO-related legislation; "we just didn't beat our chests about it in public," Yanukovych joked.

Gas Deal: Need To Move Quickly

16. (C) Yanukovych recapped his view of the events that led up to the January gas crisis and subsequent deal with Russia, stressing that Yushchenko had sent "squeaky mice who hid under their chairs" to deal with the seasoned "wolves" who represented Russia and Turkmenistan at the bargaining table. Now, time was of the essence: Yanukovych, citing his own "sources," said that a big hike in the price of Russian natural gas would come on the heels of the upcoming G-8 summit in St. Petersburg. Yushchenko had a small window of opportunity -- "perhaps two weeks" -- to revisit the gas agreement with President Putin; Yushchenko, however, was preoccupied with coalition politics. As prime minister,

Yanukovych added, Yuliya Tymoshenko will "make things worse" and do things that will "prompt Russia to raise prices even higher." Moscow, he predicted, would be "super tough" with the pugnacious Tymoshenko and "Ukraine will suffer economically," Yanukovych said. He declined any assistance from the U.S., saying he did not want the U.S. to "get in the middle."

Relations With Russia

¶7. (C) Speaking more broadly, Yanukovych stressed that it was important to "avoid senseless conflicts" with Russia. Approximately 20 percent of Ukraine's foreign trade was with Russia, and many Ukrainian products had traditional niches in the Russian market -- products that EU consumers would likely snub. Any deterioration in Kiev's ties with Moscow had a "painful impact" on Ukraine's economy, Yanukovych stressed. That said, Ukraine should not be subservient to Russia and should work with western companies to help diversify Ukraine's energy sources and curb its dependence on Russian oil and gas. (Note: Yanukovych also asked for help with the EU; the Europeans, he asserted, were discriminating against Ukrainian products). Moreover, Yushchenko was making a mistake by hinting that Ukraine should withdraw from the CIS. Yanukovych related that senior Azeri, Kazakh and Uzbek officials had told him that Ukraine's withdrawal from the CIS would "delight" Moscow; Ukraine, Yanukovych stressed, helped provide balance to the organization, often uniting the smaller CIS countries -- including Belarus -- to check Russian interests, parry Russian efforts to sow division among the CIS states and generally "make Moscow nervous." Only Russia would win, Yanukovych said, if Ukraine withdrew from the CIS. By "ruining" Ukrainian relations with Russia, Yushchenko had "untied Putin's hands" to lean on Ukraine. Taylor